

In The Style Fashion Limited

Annual Report and Financial Statements

Year Ended

31 March 2019

Company Number 08792519



In The Style Fashion Limited

Company Information

Directors	A Frisby J E Sharp P Casey M R Scaife P R Masters
Registered number	08792519
Registered office	Unit 5 Olympic Court Salford England M50 2QP
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
Bankers	NatWest Bank plc 182 Deansgate Manchester M3 3LY
Solicitors	Weightmans LLP 1 Hardman Street Manchester M3 3EB

In The Style Fashion Limited

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In The Style Fashion Limited

Strategic Report For the Year Ended 31 March 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 March 2019.

Business review

	FY19 £	FY18 £	Growth £	Growth %
Sales	17,157,685	14,727,088	2,430,597	17%
GP	9,275,885	7,269,808	2,006,077	28%
Contribution	2,904,752	767,772	2,136,980	278%
EBITDA before exceptional items	(862,843)	(2,673,468)	1,810,625	68%
Stock	848,140	1,068,433	(220,293)	-21%

EBITDA before exceptional items is:

	FY19 £	FY18 £
Operating Profit	(1,628,779)	(3,301,231)
Depreciation	116,226	102,461
Amortisation	313,928	177,347
Exceptional items	335,782	347,955
EBITDA before exceptional items	(862,843)	(2,673,468)

2019 has been an excellent year for In The Style, with strong growth across all our key performance metrics, a 17% increase (+£2.4m) in net sales and a 278% increase (+£2.1m) in contribution year on year (defined as operating profit excluding fixed overhead, depreciation and interest). EBITDA for the year improved by £1.8m to a loss of £0.9m. Alongside the strategy to deliver sales growth was a focus on improving margins and increasing operating efficiencies. As a result, the business achieved a breakeven run rate in Q3 earlier than plan. Controls and operations are now in a position where the business can rapidly scale without any large infrastructural or operational investment.



In The Style Fashion Limited

Strategic Report (continued)
For the Year Ended 31 March 2019

Gross margin of 54% was +5% on PY. This was achieved through a focus on increasing full price sales and lower operating stock cover, resulting in a significant reduction in the need for low margin sales to clear aged and slow moving inventory.



A 31% saving in cost per unit in our warehouse driven by increased operating efficiencies meant a cost reduction of over £0.4m versus the prior year in spite of higher volumes. Postage costs as a % of sales also saw a year on year reduction despite an increase in international orders, the reduction being driven by a 6% rise in average order value and lower negotiated courier rate contracts.

Whilst wages and salaries increased year on year with an investment in the management team, this was offset by a reduction in fixed overheads thereby limiting the total increase to just 9% and resulting in a year on year reduction of 2% as a percentage of net sales. Exceptional costs rose 3% in the year to £0.3k, the majority of this cost related to the investment by Causeway Capital Partners of £2.5m in May 2018.

As well as the investment from Causeway the business also saw positive operating cash flows of £0.4m as a result of improved working capital controls. This places the business in a strong position going into financial year 2020 to invest in marketing initiatives to accelerate growth in both the UK and international markets.

Principal risks and uncertainties

The senior management team understand the importance of managing risks across the business functions. Each area of the business reports on potential risks and uncertainties, which is regularly reviewed at Board level.

Economic uncertainty surrounding Brexit has been reviewed and planned for across the business, mitigating where possible the risks associated with each outcome. In The Style's sales are predominantly UK-based, with less than 3% sold into Europe. None of the supply chain is currently based in continental Europe. This reduces the company's exposure to the Brexit-related risks.

In The Style operates in a highly competitive sector of the market. However, the company has managed to create a USP through its celebrity and influencer collaboration model which helps protect company performance.

This report was approved by the board on

21/11/19

and signed on its behalf.

P R Masters
Director

In The Style Fashion Limited

Directors' Report For the Year Ended 31 March 2019

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

Principal activity

The principal activity of the company continued to be that of an online clothing retailer.

Results and dividends

The loss for the year, after taxation, amounted to £1,893,003 (2018 - £3,403,418).

The directors did not propose the payment of a dividend (2018 - £Nil)

Business review

A review of the business, its principal risks and uncertainties and financial key performance indicators are set out in the strategic report on page 1 - 2 these financial statements.

Directors

The directors who served during the year were:

A Frisby
J E Sharp
S R Cordiner (resigned 10 May 2018)
P Casey (appointed 10 May 2018)
M R Scaife (appointed 11 May 2018)
P R Masters (appointed 13 September 2018)

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

Grant Thornton UK LLP resigned as auditor during the year.

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21/11/19 and signed on its behalf.



P R Masters
Director

In The Style Fashion Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2019

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In The Style Fashion Limited

Independent Auditor's Report to the Members of In The Style Fashion Limited

Opinion

We have audited the financial statements of In the Style Fashion Limited ("the company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In The Style Fashion Limited

Independent Auditor's Report to the Members of In The Style Fashion Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In The Style Fashion Limited

Independent Auditor's Report to the Members of In The Style Fashion Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Graham Ellis (Senior statutory auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

21/11/19

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

In The Style Fashion Limited

Statement of Comprehensive Income For the Year Ended 31 March 2019

		Before exceptionals 2019 £	Exceptionals 2019 £	Total 2019 £	Before exceptionals 2018 £	Exceptionals 2018 £	Total 2018 £
	Note						
Turnover	4	17,157,685	-	17,157,685	14,727,085	-	14,727,085
Cost of sales		(7,881,800)	-	(7,881,800)	(7,457,277)	-	(7,457,277)
Gross profit		9,275,885	-	9,275,885	7,269,808	-	7,269,808
Distribution costs		(3,654,595)	(17,376)	(3,671,971)	(3,879,951)	-	(3,879,951)
Administrative expenses		(6,688,997)	(318,406)	(7,007,403)	(6,063,325)	(347,955)	(6,411,280)
Other operating income	5	204,864	-	204,864	-	-	-
Adjusted EBITDA/EBITDA	7	(862,843)	(335,782)	(1,198,625)	(2,673,468)	(347,955)	(3,021,423)
Depreciation		(116,226)	-	(116,226)	(102,461)	-	(102,461)
Amortisation		(313,928)	-	(313,928)	(177,347)	-	(177,347)
Operating profit		(1,292,997)	(335,782)	(1,628,779)	(2,953,276)	(347,955)	(3,301,231)
Interest receivable	11	2,043	-	2,043	-	-	-
Interest payable	12	(266,301)	-	(266,301)	(90,000)	-	(90,000)
Loss before tax		(1,557,255)	(335,782)	(1,893,037)	(3,043,276)	(347,955)	(3,391,231)
Tax on loss	13	34	-	34	(12,187)	-	(12,187)
Loss for the financial year attributable to equity holders of the company		(1,557,221)	(335,782)	(1,893,003)	(3,055,463)	(347,955)	(3,403,418)

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 13 to 28 form part of these financial statements.

In The Style Fashion Limited
Registered number: 08792519

Balance Sheet
As at 31 March 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	14		999,417		868,104
Tangible assets	15		365,987		448,751
			<u>1,365,404</u>		<u>1,316,855</u>
Current assets					
Stocks	16	848,140		1,068,433	
Debtors: amounts falling due within one year	17	311,948		276,055	
Cash at bank and in hand	18	3,248,825		916,249	
			<u>4,408,913</u>	<u>2,260,737</u>	
Creditors: amounts falling due within one year	19	<u>(3,644,826)</u>		<u>(2,721,628)</u>	
Net current assets/(liabilities)			764,087		(460,891)
Total assets less current liabilities			2,129,491		855,964
Creditors: amounts falling due after more than one year	20		<u>(2,766,301)</u>		<u>-</u>
Net (liabilities)/assets			(636,810)		855,964
Capital and reserves					
Called up share capital			15,284		17,318
Share premium account			4,913,916		4,511,653
Profit and loss account			<u>(5,566,010)</u>		<u>(3,673,007)</u>
Shareholders' (deficit)/funds			(636,810)		855,964

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21/11/19



P R Masters
Director

The notes on pages 13 to 28 form part of these financial statements.

In The Style Fashion Limited

Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	17,318	4,511,653	(3,673,007)	855,964
Comprehensive income for the year				
Loss for the year	-	-	(1,893,003)	(1,893,003)
Total comprehensive loss for the year	-	-	(1,893,003)	(1,893,003)
Contributions by and distributions to owners				
Shares issued during the year	-	402,263	-	402,263
Cancellation of subscribed capital	(2,034)	-	-	(2,034)
Total transactions with owners	(2,034)	402,263	-	400,229
At 31 March 2019	15,284	4,913,916	(5,566,010)	(636,810)

Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	10,000	23,939	(269,589)	(235,650)
Comprehensive income for the year				
Loss for the year	-	-	(3,403,418)	(3,403,418)
Total comprehensive loss for the year	-	-	(3,403,418)	(3,403,418)
Contributions by and distributions to owners				
Shares issued during the year	7,318	4,487,714	-	4,495,032
Total transactions with owners	7,318	4,487,714	-	4,495,032
At 31 March 2018	17,318	4,511,653	(3,673,007)	855,964

The notes on pages 13 to 28 form part of these financial statements.

In The Style Fashion Limited

Statement of Cash Flows For the Year Ended 31 March 2019

	2019 £	2018 £
Cash flows from operating activities		
Loss for the financial year	(1,893,003)	(3,403,418)
Adjustments for:		
Amortisation of intangible assets	313,928	177,347
Depreciation of tangible assets	116,226	102,461
Loss on disposal of tangible and intangible assets	63,040	-
Interest payable	266,301	90,000
Interest receivable	(2,043)	-
Taxation (credit)/charge	(34)	12,187
Decrease/(increase) in stocks	220,293	(604,965)
Increase in debtors	(35,893)	(53,765)
Increase in creditors	1,322,233	616,413
Corporation tax paid	-	(12,187)
Net cash generated from operating activities	371,048	(3,075,927)
Cash flows from investing activities		
Purchase of intangible fixed assets	(478,368)	(517,452)
Purchase of tangible fixed assets	(63,387)	(460,627)
Interest received	2,043	-
Interest paid	-	(90,000)
Net cash from investing activities	(539,712)	(1,068,079)
Cash flows from financing activities		
Issue of preference shares	2,500,000	-
Issue of ordinary shares	1,240	4,495,032
Net cash used in financing activities	2,501,240	4,495,032
Net increase in cash and cash equivalents	2,332,576	351,026
Cash and cash equivalents at beginning of year	916,249	565,223
Cash and cash equivalents at the end of year	3,248,825	916,249

In The Style Fashion Limited

Statement of Cash Flows (continued) For the Year Ended 31 March 2019

	2019 £	2018 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,248,825	916,249
	<u>3,248,825</u>	<u>916,249</u>

The notes on pages 13 to 28 form part of these financial statements.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

1. General information

In The Style Fashion Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activity is set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Notwithstanding the company's net liabilities, which are due to preference shares issued in the year that will not be redeemed within 12 months, after reviewing the company's forecasts and projections to 2021 and the ability to utilise £2.5m equity investment from Causeway Capital Partners, the directors have a reasonable expectation that the company has adequate resources to continue in operation existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Revenue

Revenue consists of the sales of goods.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Marketing

A range of marketing activities are used, including social media influencers, bloggers, and campaigns utilising TV, outdoor, email and students. All marketing costs are included within administrative expenses.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.5 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.6 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.9 Other income

Research and development tax credits are recognised in other income within profit or loss in the same period as the related expenditure.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.10 Current and deferred taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence to better understand the company's financial performance.

2.12 Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets required. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Website development	-	3	years
Goodwill	-	10	years

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Property improvements	- 10 - 33%
Plant and machinery	- 20%
Motor vehicles	- 14%
Fixtures and fittings	- 10 - 50%
Computer equipment	- 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to sell. The impairment loss is recognised immediately in profit or loss.

2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

2. Accounting policies (continued)

2.17 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Intangible fixed assets (see note 14)

Intangible fixed assets are amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Tangible fixed assets (see note 15)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Turnover

All turnover relates to sales of goods, originating from the UK.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	16,094,456	13,818,124
Rest of Europe	380,131	333,273
Rest of the world	683,098	575,688
	<u>17,157,685</u>	<u>14,727,085</u>

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Notes to the Financial Statements For the Year Ended 31 March 2019

5. Other operating income

	2019 £	2018 £
Other operating income	<u>204,864</u>	<u>-</u>

6. Exceptional items

	2019 £	2018 £
Exceptional items	<u>335,782</u>	<u>347,955</u>

To understand the underlying performance of the business, certain costs included within administrative costs have been classified as exceptional items. These items principally relate to:

2019: Legal and professional fees relating to securing the £2.5m equity investment from Causeway Capital Partners in the year.

2018: Re-organisation and restructuring of the board and introduction of a senior management team which the business considers to be a one-off event.

During the year the business moved warehouse premises to facilitate the company's high growth rate.

One off costs relating to onerous leases, integration costs, and legal fees have been classified as exceptional.

7. Operating loss

The operating loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	116,226	102,461
Amortisation of intangible assets, including goodwill	313,928	177,347
Other operating lease rentals	148,218	148,218
Stock recognised within cost of sales as an expense	<u>7,680,321</u>	<u>7,457,277</u>

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Notes to the Financial Statements For the Year Ended 31 March 2019

8. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>16,750</u>	<u>15,000</u>
Fees payable to the company's auditor in respect of:		
Taxation compliance services	<u>2,500</u>	<u>2,000</u>

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,116,937	2,831,395
Social security costs	332,110	179,823
Other pension costs	39,326	5,172
	<u>3,488,373</u>	<u>3,016,390</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	<u>126</u>	<u>105</u>

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Notes to the Financial Statements For the Year Ended 31 March 2019

10. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	381,987	124,502
Social security costs	52,402	13,515
Company contributions to defined contribution pension schemes	2,304	163
	<u>436,693</u>	<u>138,180</u>

The highest paid director received remuneration of £184,832 (2018 - £138,017).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £804 (2018 - £163).

During the year retirement benefits were accruing to 2 directors (2018 - 1) in respect of defined contribution pension schemes.

11. Interest receivable

	2019 £	2018 £
Bank interest receivable	<u>2,043</u>	<u>-</u>

12. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	-	90,000
Other interest payable	<u>266,301</u>	<u>-</u>

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Notes to the Financial Statements For the Year Ended 31 March 2019

13. Taxation

	2019 £	2018 £
Adjustments in respect of previous periods	(34)	-
Total current tax	(34)	-
Deferred tax		
Timing differences and adjustments in respect of prior periods	-	12,187
Total deferred tax	-	12,187
Total tax (credit)/charge	(34)	12,187

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	(1,893,037)	(3,403,418)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(359,677)	(646,649)
Effects of:		
Expenses not deductible for tax purposes	122,477	15,223
Fixed asset differences	(5,548)	4,739
Adjustments to deferred tax due to movement in %	-	67,795
Deferred tax not recognised	290,976	571,079
Income not taxable for tax purposes	(48,648)	-
Adjustments to tax charge in respect of prior periods	(34)	-
Other permanent differences	420	-
Total tax (credit)/charge for the year	(34)	12,187

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Notes to the Financial Statements For the Year Ended 31 March 2019

13. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 31 March 2019 has been calculated based on the rates substantively enacted at the date of the statement of financial position. The value of the unrecognised deferred tax asset at 31 March 2019 is £680,482.

14. Intangible assets

	Development cost £	Goodwill £	Total £
Cost			
At 1 April 2018	517,452	800,000	1,317,452
Additions	478,368	-	478,368
Disposals	(49,230)	-	(49,230)
At 31 March 2019	<u>946,590</u>	<u>800,000</u>	<u>1,746,590</u>
Amortisation			
At 1 April 2018	94,175	355,173	449,348
Charge for the year	233,928	80,000	313,928
On disposals	(16,103)	-	(16,103)
At 31 March 2019	<u>312,000</u>	<u>435,173</u>	<u>747,173</u>
Net book value			
At 31 March 2019	<u>634,590</u>	<u>364,827</u>	<u>999,417</u>
At 31 March 2018	<u>423,277</u>	<u>444,827</u>	<u>868,104</u>

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

15. Tangible fixed assets

	Property improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 April 2018	101,615	38,140	2,300	275,701	210,887	628,643
Additions	-	-	-	38,457	24,930	63,387
Disposals	(21,272)	(34,699)	(1,086)	(33,591)	(75,119)	(165,767)
At 31 March 2019	<u>80,343</u>	<u>3,441</u>	<u>1,214</u>	<u>280,567</u>	<u>160,698</u>	<u>526,263</u>
Depreciation						
At 1 April 2018	24,846	3,415	1,231	43,516	106,884	179,892
Charge for the year	20,939	688	173	43,450	50,976	116,226
Disposals	(22,807)	(3,107)	(1,086)	(28,602)	(80,240)	(135,842)
At 31 March 2019	<u>22,978</u>	<u>996</u>	<u>318</u>	<u>58,364</u>	<u>77,620</u>	<u>160,276</u>
Net book value						
At 31 March 2019	<u><u>57,365</u></u>	<u><u>2,445</u></u>	<u><u>896</u></u>	<u><u>222,203</u></u>	<u><u>83,078</u></u>	<u><u>365,987</u></u>
At 31 March 2018	<u><u>76,769</u></u>	<u><u>34,725</u></u>	<u><u>1,069</u></u>	<u><u>232,185</u></u>	<u><u>104,003</u></u>	<u><u>448,751</u></u>

16. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>848,140</u>	<u>1,068,433</u>

There is no material difference between replacement cost and the carrying value of stock items in the accounts.

17. Debtors

	2019 £	2018 £
Trade debtors	99,723	-
Prepayments and accrued income	212,225	276,055
	<u><u>311,948</u></u>	<u><u>276,055</u></u>

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

18. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	<u>3,248,825</u>	<u>916,249</u>

19. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	1,070,571	1,244,208
Corporation tax	-	34
Other taxation and social security	588,808	104,229
Other creditors	54,158	-
Accruals and deferred income	1,931,289	1,373,157
	<u>3,644,826</u>	<u>2,721,628</u>

20. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Preference shares	<u>2,766,301</u>	<u>-</u>

On 11 May 2018 the company issued 2,500,000 amount of redeemable preference shares at £1 each.

The shares are non-voting shares and are redeemable on purchase or listing of the company. They accrue a preference share dividend at 12% of the issue price per annum until they are redeemed. The preferred dividend will be rolled up in arrears every 12 months. Following this, the preferred dividend will accrue on the issue price and the aggregate of the rolled up dividends as though the issue price had been increased by an amount equal to the aggregate of all rolled up preference dividends.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

21. Financial instruments

The company's financial instruments may be analysed as follows:

	2019 £	2018 £
Financial assets		
Financial assets measured at amortised cost	<u>3,348,548</u>	<u>916,249</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,891,030)</u>	<u>(2,617,365)</u>

(i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and preference shares are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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Notes to the Financial Statements For the Year Ended 31 March 2019

22. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted, called up and fully paid		
Nil (2018 - 10,000,000) ordinary shares of £0.001000 each	-	10,000
Nil (2018 - 3,000,000) ordinary A shares of £0.000100 each	-	300
Nil (2018 - 250,000) ordinary C1 shares of £0.010000 each	-	2,500
Nil (2018 - 250,000) ordinary C shares of £0.010000 each	-	2,500
Nil (2018 - 375,000) ordinary D1 shares of £0.001000 each	-	375
Nil (2018 - 1,125,000) ordinary D shares of £0.001000 each	-	1,125
Nil (2018 - 518,000,000) B preference shares of £0.000001 each	-	518
11,962,050,000 (2018 - Nil) ordinary A1 shares of £0.0000001 each	1,196	-
12,400,000,000 (2018 - Nil) ordinary B1 shares of £0.0000001 each	1,240	-
128,470,950,000 (2018 - Nil) deferred shares of £0.0000001 each	12,848	-
	<u>15,284</u>	<u>17,318</u>

All shares are ranked pari passu.

During the year Company secured equity investment totalling £2.5m from Causeway Capital Partners the year and as a result of this funding new shares have been issued and existing shares have been redesignated, resulting in the share structure above. £2,500,000 of this related to the preference shares (see note 20), with £1,240 related to 12,400,000,000 ordinary B1 shares. Based on the nominal value of these shares £1,240 has been taken to share premium on the shares issued. The remaining movement in share premium results from the capitalisation of a directors loan account in the year, with no additional cash received by the company. Again, based on nominal value of the shares in issue the impact to share capital is negligible. In relation to cancellation of shares in the year, no transfer was made to a capital redemption reserve on the grounds it would be immaterial to do so.

23. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

In The Style Fashion Limited

Notes to the Financial Statements For the Year Ended 31 March 2019

24. Commitments under operating leases

At 31 March 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	148,218	148,218
Later than 1 year and not later than 5 years	376,721	524,939
	<u>524,939</u>	<u>673,157</u>

25. Related party transactions

Purchases from Livingbridge Services Limited of £4,923. Nil creditor balance at year end.

During the year the directors loan account balance of £398,529 was converted into share capital, this comprises 3,980m shares of nominal value £0.0001.

26. Ultimate controlling party

There is no one controlling party based on percentage of share ownership and voting rights attaching to the shares.